

# Review of Economic History: A Study of Early Rural Economic Construction

Aoying Sun<sup>1</sup>, Gen Gui<sup>2\*</sup>

<sup>1</sup>School of Foreign Languages, Xinxiang Medical University, Xinxiang 453003, China

<sup>2</sup>The First Clinical College, Xinxiang Medical University, Xinxiang 453100, China

\*Corresponding author: Gen Gui, 487155056@qq.com

**Copyright:** © 2022 Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0), permitting distribution and reproduction in any medium, provided the original work is cited.

**Abstract:** Economic construction plays a crucial role in improving the production and living conditions of the people in rural areas, and to ensure sufficient fiscal revenue. Due to the general situation of low productivity, and undeveloped economy in the rural areas, the state has proposed an economic construction plan, where economic construction and economic expenditure are interdependent, further established an economic income system with stable taxation as the main body, increase the income sources, and established an economic income system to solve the fiscal expenditures. A centralized and unified economic management system should be implemented, where economic expenditure system as a primary task, and economic expenditure as the secondary task. In this paper, a series of systems which may contribute to the stable economic development to support for fiscal revenue were discussed. Further, the types of economic constructions, which is suitable for rural areas were recommended in this paper.

**Keywords:** Economic construction; Economic history; Financial construction; Rural areas

**Online publication:** June 20, 2022

## 1. Introduction

In early China, the focus of the economy was in the vast rural areas, where the economic model is dominated by the small-scale peasant economy, which constituted the main body of the Chinese economy. Previously, in China, the countryside was not only the focus for the national economic construction, but also had the highest labor force. According to the research, in the early 20th century, China's agricultural net output value accounted for 65% of the country's gross domestic output value, and agricultural laborers accounted for 65% of the total national labor force<sup>[1]</sup>. The connection between rural and urban areas is relatively small<sup>[2]</sup>, however, the urban areas have most of the country's wealth, with higher active markets, industrial infrastructure, better economic conditions, and higher productivity levels of the cities compared to the rural areas. Therefore, there is a need to conduct the rural economic construction, which may help to increase the fiscal revenue of rural areas. Further, the economic construction of the rural areas, can also improve the people's life and production, at the same time increase the total income, and explore the model of the early rural economy<sup>[3]</sup>. In this paper, the economic construction, is discussed from four different aspects, which are economic thinking, economic source, economic expenditure, and economic management.

## **2. Economic thinking: establish the economic construction thinking, where the economic construction and economic expenditure are interdependent**

In the early rural areas, economic development mainly depended on the external assistance <sup>[4]</sup>, by focusing on the economic expenditure, in contrast ignoring the economic construction <sup>[5]</sup>. Economic expenditure and economic construction should be interdependent from the beginning to the end, while the economic expenditure should not be separated from the economic construction. The primary goal of early rural economic construction was to support economic spending. In addition, using economic construction to improve the lives of the people in the revolutionary base areas, and establish a relatively stable economic system can improve greatly the material conditions of the people in the rural areas, at the same time provide sustainable financial sources in the rural areas.

## **3. Economic sources: establish an economic income system with stable taxation as the main body and multiple income sources as supplements**

The main sources of the economic income in the rural areas are different, and largely depending on the periods of the economic construction, which can be divided into three periods, namely the early, middle, and late periods. Meanwhile, the main sources of economic income can be classified into fundraising, taxation, issuance of public bonds or economic construction funds, issuance of currency, and the establishment of financial systems.

### **3.1. Early-stage: public fundraising**

In the early days, the main source of income in rural areas was fundraising, where the fundraising mainly comes from the rural farmers, businessmen, and other people. These fundraising not only played an important role in the early rural economic income, but also played a pivotal role in the subsequent currency issuance in the term of gold and silver jewelry.

### **3.2. Mid-term: preliminary establishment of a tax system with progressive tax as the main body**

The income from fundraising is unsustainable, therefore, next the rural areas relies on tax revenue to increase the fiscal revenue. In the medium period, progressive tax has become the main form of taxation. The main type of tax collection is field tax, and land tax. During this stage, the rural areas also stipulated the highest tax rate, forming the prototype of the shared tax.

### **3.3. Late stage: establish a new economic income system based on a new unified tax system and supplemented by multiple sources of income**

In the late period, the rural areas established and increase the fiscal revenue by developing the economy. During this stage, economic revenue began to gradually form an economic revenue system based on a new unified tax system, supplemented by the public economy, public bond issuance, and financial systems.

The new unified tax system is built based on the progressive tax. Through the unified progressive tax rules, a unified tax system is further formed, where the public economy is based on the construction of public stores, factories, and enterprises. In return, the public economy not only increases the fiscal revenue, but also improves the people lives in the rural areas. Further, the phenomenon of material shortage began to change, and material security enterprises such as factories, and clothing factories start to emerge during this period, supplying the material security for rural areas during special times and emergencies.

The establishment of financial systems in rural areas is more complex, further the challenges are more severe. Firstly, the issuance and circulation of the currency. During that time, there were two main challenges appears in the currency issuance, where, the insufficient purchasing power of the currency, which made it is impossible to exchange daily necessities needed by the farmers, and the second challenge

is the blockage of trade and exchange between the urban industrial products and rural agricultural products, resulting in the decrease of agricultural prices. To tackle the challenges, rural areas adopted a policy of issuing new currency, further responded to the latter with low-interest loans. Gold, silver, copper, and other metal silver coins collected through the fundraising known as hard currencies is circulated in the market, which improves the situation, where currency cannot be circulated to a certain extent. In rural areas, a certain number of banknotes are issued for circulation <sup>[6]</sup>. Additionally, low-interest loans stimulated the financial lending to a certain extent, promoting the circulation of financial markets <sup>[7]</sup>.

The early rural financial system consists of banks, currency issuance, lending, and stocks <sup>[8]</sup>, where the first bank, precious metal currency, and central banks were established <sup>[9]</sup>. Stocks including the production cooperatives, grain cooperatives, consumer cooperatives, credit cooperative stocks, and others are used for financing, and for exchange <sup>[10]</sup>.

#### **4. Economic expenditure: establish an economic expenditure system with fiscal expenditure as the primary task and economic construction as the secondary task**

Fiscal expenditures in the rural areas must meet the needs of the people <sup>[11]</sup>, therefore, all the aspects of production, and life should be improved and perfected.

##### **4.1. Economic expenditure must first meet the needs of financial expenditure and provide sufficient material security for life**

Financial expenditure is the main content of the economic expenditure, including the daily living expenses for staff, (such as meals, allowances, pocket expenses, office expenses), material security, and bedding expenses.

##### **4.2. Economic expenditure should also serve economic construction and achieve sustainable economic development**

In addition to the expenditure required to meet the fiscal expenditure, economic expenditure, is also used for rural economic construction, where the economic construction is reflected in investment, subsidies, and public utility construction.

In the early stage of rural economic construction, rural investment was mainly reflected in the public sector, including livelihood enterprises, which meet daily needs, such as sugar factories and tobacco factories, where the investments during this period is largely based on the actual people needs.

Rural areas take counter measures, by providing subsidy, and support the private enterprises with private investment, tax reductions and exemptions, and advocate the simultaneous development of public, cooperative, and private economy.

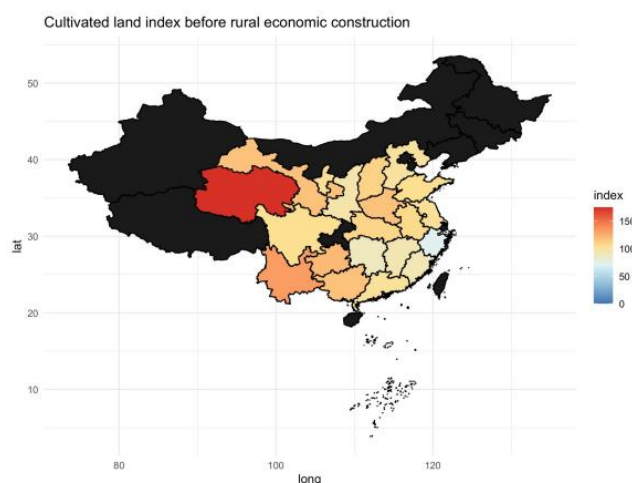
The construction of public utilities has also been developed in rural areas. There are three main economic expenditures in this field, firstly the expenditure on the culture, education, and medical care, and the establishment of schools and hospitals to meet people's needs. Next, the establishment of a social security system, including social unemployment insurance, unemployment benefits, and others, and lastly, to solve the living problems of the family members of public officials, including the education expenses for the children of public officials.

The early rural economic construction adopted the characteristics of sustainable development in terms of economic income and expenditure, and some economic construction expenditures, leading to increase in the economic income. Before, and after the economic reform, the economy of rural areas has been greatly improved, and the rural economic situation is reflected by the rural arable land index before and after economic construction as shown in the **Table 1**.

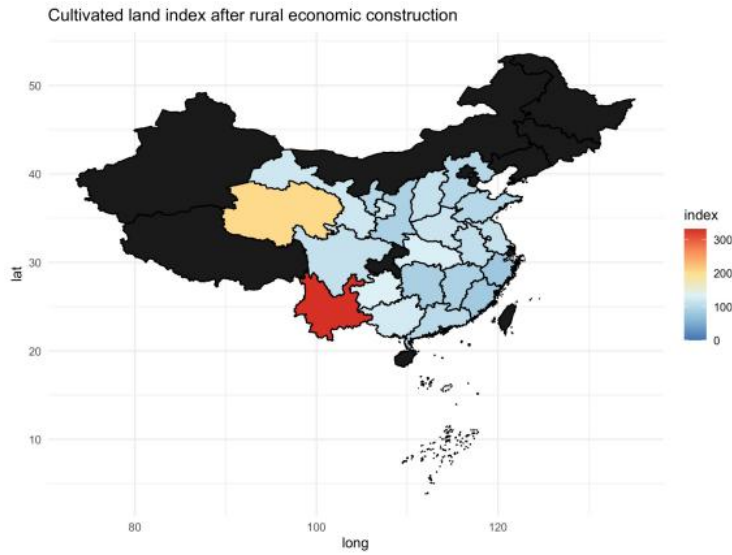
Figures 1 and Figure 2, showed the improvement of the rural economic situation, while Figure 3, showed the growth of the rural economy in various regions. Figure 4 further shows, that the average rural arable land index after economic construction is significantly higher, compared to before. Figures 5, Figure 6, Figure 7, and Figure 8 reflects the comparison of cultivated land indices before and after economic construction in each region.

**Table 1.** The cultivated land index of each region before and after rural economic construction

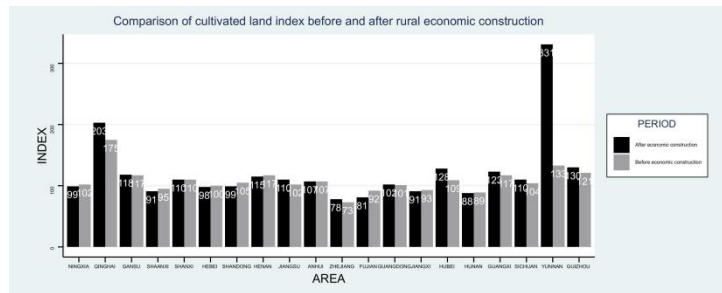
Area	Period	
	Before economic construction	Before economic construction
NINGXIA	102	99
QINGHAI	175	203
GANSU	117	118
SHAANXI	95	91
SHANXI	110	110
HEBEI	100	98
SHANDONG	105	99
HENAN	117	115
JIANGSU	102	110
ANHUI	107	107
ZHEJIANG	73	78
FUJIAN	92	81
GUANGDONG	101	102
JIANGXI	93	91
HUBEI	109	128
HUNAN	89	88
GUANGXI	117	123
SICHUAN	104	110
YUNNAN	133	331
GUIZHOU	121	130
TOTAL	2162	2412



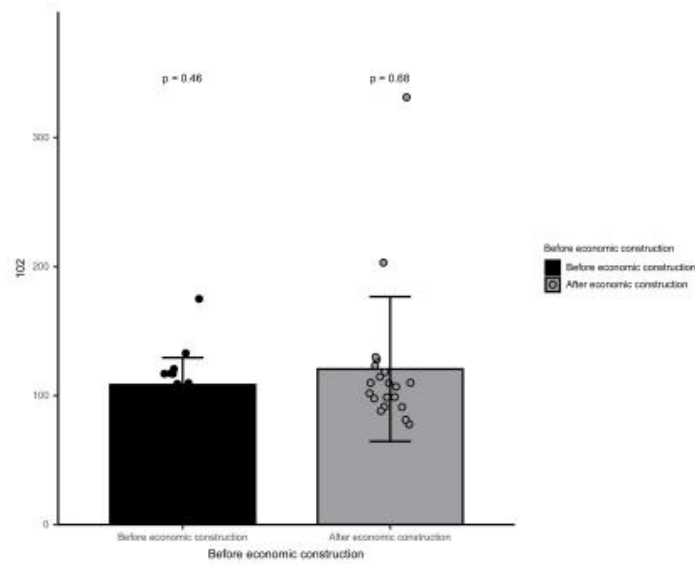
**Figure 1.** Map of arable land index before rural economic construction



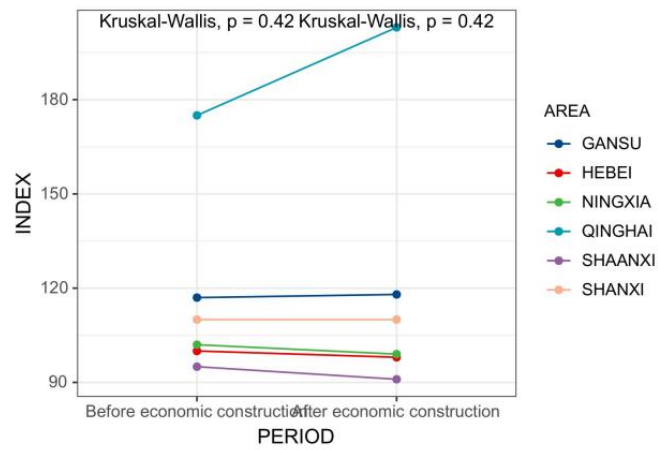
**Figure 2.** Map of arable land index after rural economic construction



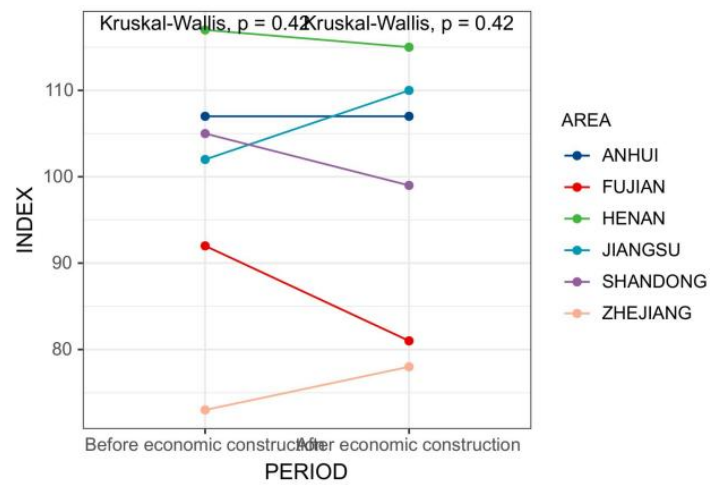
**Figure 3.** Comparison of cultivated land index in different regions



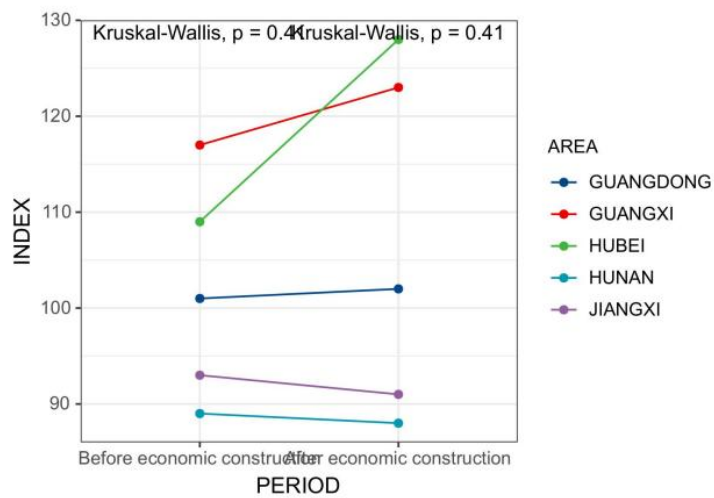
**Figure 4.** The median comparison of cultivated land index before and after rural economic construction



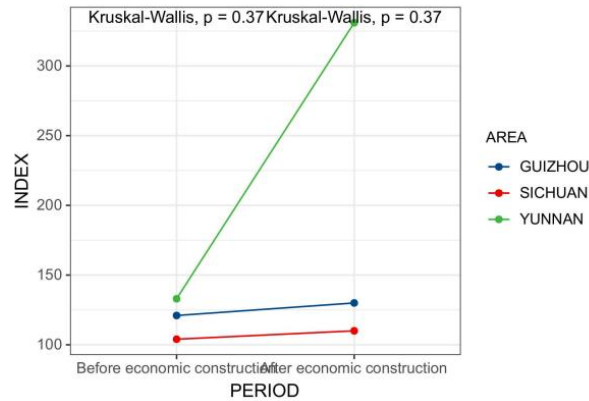
**Figure 5.** Changes in the index of cultivated land by region 1



**Figure 6.** Changes in the index of cultivated land by region 2



**Figure 7.** Changes in the index of cultivated land by region 3



**Figure 8.** Changes in the index of cultivated land by region 4

**5. Economic management: establish an economic management system based on the principles of centralization, unity, openness, and transparency**

Due to lower productivity, and undeveloped economic in the rural areas, and to cope with the arduous and arduous economic pressure, a centralized, unified, open, and transparent economic management system should be adopted [12]. The centralized and unified economic management system, is mainly reflected in the unified budget, and in the final accounts system, which is the foundation system for unified finance, and the system guarantee of unified finance [5].

**5.1. Implement a centralized and unified economic management system, and concentrate financial resources to deal with financial pressures**

The fundamental purpose of the system of unified budget and final accounts, and the systematic foundation of unified finance, is to give a full support to the characteristics of the concentrating efforts on major affairs, and rationally allocating and managing the base economy with low productivity and economic backwardness, to meet the needs of rural areas to a certain extent.

The institutional guarantee of unified finance, is a financial institution guarantee system with the central financial department as the core, and other financial departments at all levels as the supporter. Rural finance departments have jurisdiction over accounting, auditing, general affairs, and other departments. Finance departments at all levels are vertically managed by financial departments at higher levels, and horizontally supervised by governments at the same level.

**5.2. Implement open and transparent economic management policies**

Rural economic management should adhere to the open and transparent policies, for example, ask for a factual approach to economic management, accept criticism, and regulate economic income and spending.

**6. Conclusion**

In the early rural economy, the choice of economic construction and economic expenditure, the rural areas implemented the policy of mutual dependence, and simultaneous implement the economic construction and economic expenditure, which provided economic ideological support for the subsequent development and growth of the rural economy. Additionally, the economic income that relies on subsidies is short-term and unsustainable, therefore an economic income system with stable taxation as the main body and multiple income sources as supplements has been established, to ensure the smooth operation of the economy. In the terms of economic expenditure, it reflects the distinctiveness of rural economic expenditure. The establishment of an economic expenditure system with fiscal expenditure as the primary task, and economic

construction as the secondary task has greatly improved the production and living conditions of the people in the vast base areas. Meanwhile, in the term of economic management, it is aimed at low rural productivity, undeveloped economic foundation and industrial foundation. Because of the poor situation, a centralized and unified economic management system should be proposed, so that economic construction can be reasonably allocated and carried out effectively.

### **Disclosure statement**

The authors declare no conflict of interest.

### **Author contributions**

A.S. was responsible for completing the topic selection, writing, and grammar proofreading of the article; G. G. was responsible for the data collection, analysis, mapping, and literature collection of the article.

### **References**

- [1] Fairbank, 1994, Cambridge History of the Republic of China. Beijing: China Social Sciences Press, 1994: 31-125.
- [2] Liu S, Yan J, 2021, Institutional Order and Land Rights Structure: A Political Economic Interpretation of the Changes of Land Institutions in a Century. *China Land Science*, 35(08): 1-14.
- [3] Liu J, 2018, On Mao Zedong's Economic thought and its Practical Significance during the Struggle Period in Jinggangshan. *Journal of Hunan University of Administration*, 2018(04): 95-101.
- [4] Wang X, Zhu B, 2021, Red Archives Witnessing Centennial Finance: An Investigation and Research on the Economic Sources of the Communist Party of China before the Founding of New China. *Zhejiang Archives*, 2021(12): 9-12.
- [5] Gan X, Zou J, Zhu H, 2021, Research on the Financial Thought of the Communist Party of China during the Agrarian Revolution. *Economic Theory and Economic Management*, 41(09): 4-19.
- [6] Wei J, 2019, Research on the Theory of Monetary Work in Revolutionary Base Areas (1927—1937). *Economist*, 2019(06): 28-29.
- [7] Wang R, Wang W, Liao L, 2021, A Brief Discussion on the Red Currency Thought of the Party's Low-Interest Loans during the Agrarian Revolutionary War. *Fujian Finance*, 2021(08): 2021.
- [8] Chen L, Zhang J, 2016, The CPC's Financial Policy in the Base Areas during the Land Revolution. *Modern Economic Information*, 2016(21): 284-285.
- [9] During the Agrarian Revolution, the Financial Spark in the Rural Revolutionary Base Areas. *China Banking Industry*, 2021(07): 18-27.
- [10] Wan L, 2018, The Chinese Communist Party's Exploration of Stock Issuance During the Land Revolution. *Soviet Area Studies*, 2018(02): 34-45.
- [11] Archives CBHP, Archives HP, Archives SP, et al., 1984, Historical Documents Collection of Hunan, Hubei, Sichuan and Guizhou Revolutionary Bases (1934-1936), 1984: 277.
- [12] Zhou Z, 2021, The Peasant Problem, Theory of Production Relations and the Political Economy of the Chinese Revolution: The Ideological and Political Momentum of the Debate on the Nature of China's Society. *Research on the History of the Communist Party of China*, 2021(01): 61-81.

#### **Publisher's note**

Bio-Byword Scientific Publishing remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.